

Novgorod Regional Investment Initiative (RII)
Progress Review
August 1998

I. BACKGROUND:

In early 1997, the State Department Coordinator for NIS Assistance (S/NIS/C) requested that USAID and other USG agencies involved in economic assistance to the Russian Federation develop a Partnership for Freedom (PFF) pilot program or “mini-PFF.” The purpose of this pilot was to demonstrate how a program focused on one region and with an integrated set of activities across technical program areas could effectively accelerate economic transition at the local level, foster U.S.-Russian economic and community-based linkages, and promote increased trade and investment. The “mini-PFF” objectives were to mobilize capital, increase community involvement, and strengthen US-Russian links through an 18-month program with quick results.

Novgorod was chosen as the site for the “mini-PFF” due to the local government’s advanced strategy for regional economic and democratic development. USAID also had several successful existing activities that could form the foundation of a larger effort.

At the same time as the “mini-PFF” was being developed, Vice President Al Gore and then Prime Minister Victor Chernomyrdin announced a new regionally-focused program, the Regional Investment Initiative (RII). The purpose of this program was to underscore the importance of the Russian and American private sectors in stimulating economic growth outside of Moscow and St. Petersburg. As the RII had the same objectives as those of the PFF, and because funds were immediately available through the PFF, Novgorod was designated as an RII site.

Seven million dollars were made available by S/NIS/C to fund activities under the “mini-PFF.” An additional \$3 million in existing funds were reprogrammed from USAID core programs to support the Novgorod Initiative. The first new activities in Novgorod under the RII began during the Summer of 1997. Although it was intended that most activities would end in December 1998, some USAID activities and most USIS activities will continue after December.

Novgorod RII activities include, but are not limited to the following: land and housing reform; small business support and financing; investment promotion; small and micro-credit; NGO support; community involvement; and partnerships between US and Russian organizations, institutions and governmental bodies.

USAID/Russia, in consultation with the ENI Bureau and S/NIS Coordinator’s Office, decided to conduct an informal review of selected USAID-funded activities to help determine where to focus future support. This report documents the results of the review.

II. OBJECTIVES:

The objective of the Novgorod RII review is to assess the progress and results to date of selected USAID-funded activities. To the extent possible, the review will look at impact on RII objectives, i.e.:

- C economic transition at the local level;
- C U.S.-Russian economic and community-based linkages;
- C increased trade and investment; and
- C increased community involvement.

The conclusions and recommendations of the review will give the Mission an informed and objective analysis of:

- C activities which are making the most progress toward achieving their objectives;
- C activities which are having an impact on RII objectives;
- C positive changes as a result of the program; and
- C areas where additional funding would be best utilized.

III. METHODOLOGY:

The review was carried out by five USAID/Russia staff during the period July 14 to 31, 1998. The activities selected for review were those whose completion dates fall between September 1998 and January 1999. In consultation with the Office of Economic Reform (OER), the following activities were selected for review:

1. Land and Real Estate Reform
2. Enterprise and Economic Development Program (EED)
3. SME Equity Finance
4. IREX Partnerships in Civil Society and Economic Development
 - a. Urban Homesteading Assistance Board
 - b. University of Massachusetts - GIS
 - c. Novgorod Center "Doverie"
 - d. Novgorod Agency for SME Support
 - e. Center for International Private Enterprise
 - f. Family Medicine Clinic
 - g. World Institute for the Disabled
5. U.S. Based Training (AED)
6. City Partnerships
7. Community Involvement Grants (Eurasia Foundation)

The team conducted site visits in Novgorod, and interviewed contractors and grantees, their collaborating partners in the oblast and city administrations, and private sector counterparts. The team also studied grantee/contractor reports available at USAID and the implementors' offices.

Based on the results of the review, the activities were grouped in three categories:

Category A: Activities making the best progress in fulfilling their objectives, and having the strongest potential to contribute to overall RII objectives. Additional funding for targeted assistance over the next 9 to 12 months could enable the contractor/grantee to sustain key results important for RII impact, or to strengthen local partner organizations/institutions to continue on their own without USAID support. These activities would be first priority for additional funding.

Category B: Activities having achieved or which are well on their way to achieving their objectives, but the impact of the activity on overall RII objectives is not always obvious. This category would also include activities where the local counterpart organizations/institutions are able to continue on their own, or where other organizations/institutions are already providing similar assistance. Additional funding, if available, may be appropriate to continue discrete elements of the activity which could become sustainable within the next 6 to 9 months. But in general, additional funding is not necessary.

Category C: Activities experiencing difficulties in achieving their objectives and/or where the results are not likely to have a significant impact on overall RII program objectives. This category also includes activities which are not likely to be sustainable after USAID funding ends. Continued USAID support beyond their completion dates is not recommended.

IV. FINDINGS:

A. Land and Real Estate Reform - Urban Institute

1. Objectives:

The land reform and real estate activities implemented by the Urban Institute (UI), with sub-contractors PADCO and the Rural Development Institute, focus on three broad areas:

- C Improving the property tax structure in Novgorod oblast;
- C Establishing the legal and regulatory framework for land use rights in Novgorod and Novgorod city; and
- C Promoting land markets in the oblast and designated smaller cities.

In addition, UI is working with the oblast administration and up to six raions on targeted topics including: the establishment of special investment areas; clarification of the rights of municipalities to own land; and incorporating infrastructure planning into land privatization programs. In Novgorod city, UI is helping to organize and promote land auctions. A planned activity to establish a university partnership for the development of a real estate curriculum and land market policies failed to get off the ground due to the lack of financing.

2. Findings:

UI has excellent relations with the city and oblast administrations. Based on progress to date, UI should be able to accomplish most of its key objectives by September 30, 1998, with the exception of the following:

Property tax work is on schedule. Software, forms, and data have been prepared and a procedures manual will be completed in August. Training for participating localities has been completed. There is now a higher level of understanding between tax and registration officials about the importance of consistent tax data. The groundwork is in place for tax collection to begin, but localities are prohibited from implementing the new system due to the lack of enabling legislation. The USAID Tax Reform Program, implemented by Georgia State, is addressing these issues.

Progress on the legal and regulatory framework for land use rights has been slow due to low government interest. The oblast administration is not likely to issue a land law or other legislative initiatives recommended by the contractor. The failure of the Federal Duma to pass a Land Code has discouraged the oblast from moving forward on land legislation. UI indicates that the best opportunity for advancement will be through the implementation of a set of recommendations on the stalled "provisional" land law to be discussed by the oblast Duma in August. UI advisors are recommending progressive elements of the package.

Work on promoting land markets and land market reforms in the oblast and/or designated smaller cities is making progress. Following a seminar in June, titling and registration is being implemented in three raions. The city of Novgorod has made the most progress in market reforms, but results outside Novgorod city are modest.

The Novgorod city land auction, held in June, did not take place due to the lack of registrants. However, city officials are continuing to use the marketing strategies introduced by UI advisors, and are employing steps to overcome the problems of the first auction. The next tender will take into account lessons learned such as the need for better promotion and advertising, and the negative impact of negotiating with individual investors outside the auction process.

A constraint to implementing further land privatization is the need to clarify ownership rights of undeveloped land. UI and the oblast administration have outlined a strategy toward clarification of rights for municipalities to market and sell land in the future. The oblast is looking at three options, including: the adoption by the Federal Duma of a Land Code (very uncertain); passage of a land law for Novgorod oblast such as was done in Saratov and Samara; and specific authorization by a Federal ministry or Presidential Decree.

Overall participation and interest by the city and oblast administration has been fair to good. Contact with the private sector has been mixed. Contacts have been made with the Chamber of Commerce and the successor to the Novgorod Investment Promotion Agency, but attempts to involve the Novgorod Association of Realtors have failed. The most successful and useful private sector contacts have been with appraisers.

Priorities for city and oblast administrations are to define ownership rights (federal, oblast, and city) of undeveloped land. The oblast administration is working in parallel with the oblast Duma to prepare a land law for discussion in August which is expected to resolve the

ownership issue. Another priority is zoning outside the city boundaries. UI has provided assistance to the oblast in identifying land for industrial, residential, and recreational use. Continued work is needed in the mapping and identification of zoning areas. The third priority area is the development of appraisal models for better implementation of property tax. UI is helping to address all of these priorities.

Through the end of the year, continued monitoring will be needed to oversee progress by the city in implementing a zoning plan, conducting land auctions, and resolving legal issues concerning the right of municipalities to own land. The Chairman of the Novgorod City Land Reform Committee suggested that a permanent Working Group is needed to collaborate on a regular basis to draft laws and procedures, to define needed policy changes, and to monitor progress. Although full-time UI technical assistance after September 1998 is not needed, targeted assistance may be appropriate on a case-by-case basis. Existing mechanisms are available to help. The Institute of Urban Economics is available to consult on land market issues, and the Georgia State (GS) team is planning to assist on property tax legislation.

3. Conclusions

In view of the findings that: 1) the activity has largely achieved all of its original objectives; 2) unfinished work on legal issues is being debated at the federal and regional levels which is out of the control of the UI team and will take time to resolve; and 3) there are existing organizations (IUE and GS) which can provide needed follow-up assistance, this activity is in **Category B**. If there are remaining funds in the UI contract as of September 30, a no-cost extension could be in order to provide targeted technical assistance for trouble-shooting, and to monitor progress by the city and oblast.

B. Enterprise and Economic Development Program (EED) - Citizen's Democracy Corps (CDC)

1. Objectives:

To provide volunteer technical assistance to small and medium-sized businesses, and to address constraints to small business development identified through other program activities.

Volunteer consultants perform the following functions:

- C Direct one-on-one technical assistance in most business areas;
- C SME training and mentoring of managers of SMEs;
- C Help in obtaining access to financing;
- C Market development by linking clients with buyers, suppliers, investors, and partners;
- C Support for client networking to learn from each other and to expand business opportunities;
- C Training for Business Support Institutions (BSIs).

Following the completion of assignments, CDC maintains contact with its clients to build long term relationships and to strengthen its business support network.

2. Findings:

CDC had planned to support 75 volunteer assignments in the Northwest Region (St. Petersburg and Novgorod). To date, 34 volunteers have been provided in Novgorod, with an additional 8 advisors scheduled for August and September.

It appears that the activity will be able to achieve all of its planned objectives by the end of the grant period - January, 1999. Interviews with CDC clients indicates that volunteer experts helped to change the firms' performance and improve their position in the market. Managers of assisted firms are extremely thankful to CDC's experts for opening new horizons and improving their businesses. One interviewed firm not only improved its business plan but became a leader in the regional market and is recognized in other parts of Russia.

The program could become even more effective with greater involvement of CDC advisors with local committees of economics and business support departments. Also cooperation with the regional Duma to influence legislation development, and active involvement of CDC staff and advisors in business educational programs run by local universities and other business educational institutions could enhance effectiveness.

Cooperation with the EBRD's Small Enterprise Assistance Fund (SEAF) significantly increases the potential for CDC's work to have an impact. CDC volunteers also refer clients to Opportunity International's Perspektiva for sources of credit. Although there are several institutions established to facilitate business development in the region, the CDC/SEAF linkage is unique. It gives the opportunity to SMEs to obtain qualified business consultation in a form in which they can afford, it improves the chances of the SMEs to obtain financing, and provides follow-up support to SME clients which have received financing from banks or investors. Unfortunately however, the CDC link with SEAF has been slow to show results (see next section).

3. Conclusions:

This activity is on target with its objectives. However, impact on the SME sector is yet to be seen. **Category B.**

C. SME Equity Finance - Citizen's Democracy Corps (CDC) and Small Enterprise Assistance Fund (SEAF)

1. Objectives:

The overall objective of this activity is to facilitate increased investment in small and medium-sized enterprises in the Novgorod region. CDC provides volunteer technical assistance to help businesses to access credit and equity resources. Specifically, CDC helps to:

- C identify potential clients for investments;
- C assist Novgorod SMEs to qualify for SEAF equity funds;

- C provide technical and managerial assistance to client enterprises; and
- C link SMEs with potential market partners.

CDC industry specialists assist in the due diligence process, adding industry specific knowledge to SEAF's financial expertise. Post-investment technical and managerial assistance from CDC helps SEAF to deepen its relationship with clients and to follow-up on their progress.

SEAF's role is to provide equity investment for up to 10 SMEs's in Novgorod Oblast. Investment funds are made available through the EBRD Small Enterprise Equity Fund. Up to \$2.5 million is available for investments identified and cultivated by CDC/SEAF in Novgorod.

SEAF received a USAID grant to cover its administrative costs in Novgorod where they were not present before the RII activity. CDC received additional funding for its existing grant in order to direct specific business volunteers assignments to support the investments by SEAF.

2. Findings:

CDC/SEAF established good relations with the local Administration. These relations were used to expedite the process of registering changes in the charters of SME clients to accept SEAF equity ownership. The process which normally takes up to six months, can now be done in one week.

SEAF had planned to have six equity investments in Novgorod, valued at \$1.37 million, by the end of the first year (June 1998). Three more investments, valued at \$630,000, were to be made during the period July to December 1998.

To date, SEAF has not signed any investment contracts, although five potential investments may be ready for signing in the coming months (2 in August, 2 in September/October, and 1 in December).

The reason(s) for the slow pace of implementation is not clear. However, according to SEAF, the long and difficult process of identifying and analyzing SME clients in Novgorod with investment potential was underestimated. Also, the Novgorod SEAF office is operating with a small staff - 3 compared to 14 in the St. Petersburg office - which constrains faster progress.

CDC had planned to utilize 30 US volunteer expert advisers to identify and assist potential SEAF clients. To date, with 75 percent of the project period completed, CDC has provided 11 volunteers, who have worked with 17 SEAF clients. The rate of volunteer usage depends on the needs of SEAF. All volunteer assignments are provided at the request of SEAF.

Cooperation between CDC and SEAF is potentially very beneficial for Novgorod SMEs. SEAF and CDC experts bring to the region new techniques of industry administration and organization; people learn new styles of work and new skills; and companies develop new contacts with western firms. There are also potential cost savings from CDC/SEAF cooperation, such as savings from combining office space, secretarial and admin support, and

having volunteers work with several clients to develop a common database and exchange of information.

3. Conclusions:

More information is needed to understand why there have been no investment agreements to date. As indicated by SEAF, more time is needed to find and work with potential clients. Additional information is also needed to explain why the partnership between CDC and SEAF did not result in new investment agreements as planned. Further monitoring is needed to see if the five planned investments to be made during August to December will be completed, and if the companies will expand their profitability and create new jobs as a result. Continuation of the CDC/SEAF partnership in Novgorod depends, in part, on the EBRD's long-term plans for Novgorod. Without USAID support, it would be too expensive for SEAF to keep a presence in Novgorod. Administrative costs for the St. Petersburg office to cover Novgorod would have to increase from 8% to 15%. Without an office in Novgorod, very few trips to Novgorod could be made by SEAF personnel.

Although there may be an acceleration of project results in the next three to four months, additional funding should not be provided to this activity until more is known about the reasons for the lack of investments, and SEAF's commitment to maintain a presence in Novgorod. **Category C.**

D. Partnerships in Civil Society and Economic Development

Note - Through the International Research and Exchange Board (IREX), USAID is funding several partnership activities. Seven of the partnerships were selected for this review. The review does not, however, assess the overall IREX partnership activity.

D.1. Housing - Urban Homesteading Assistance Board (UHAB)

1. Objectives:

To promote grass- roots and government cooperation in housing reform in the city of Novgorod by:

- C Developing a core of selected Novgorod trainers to provide training in the fields of community organizing, community-based housing maintenance and service programs, and community economic development through four consecutive training sessions.
- C Training of residents in basic skills to participate in building housing partnerships.
- C Creating a permanent Organizing and Technical Assistance Center (OTAC) in the city to ensure sustainability of the training programs after the end of the project.
- C Developing a city program on transferring residential buildings to residents following submission and approval by Novgorod City Administration

2. Findings:

Although this activity has met its objectives, it is not one of IREX's stellar performers. A group of 20 core trainers have been trained and are themselves providing training. Approximately 500 Novgorod residents have thus far participated in these sessions. UHAB believes that the OTAC could be operational, and that it would be the only one of its kind in Novgorod. The OTAC is not expected to officially open until October, 1998. The government is helping to support the OTAC through subsidized rent and utilities. With this support, the OTAC could be sustainable. The OTAC has funding under the current grant to operate for 2 months and then must support itself. It will essentially be a condominium training center when it opens.

At first, the administration viewed this partnership as a threat to its own housing reform program. However, it now appears that initial difficulties with the administration have been overcome. The All National Fund for Decent and Affordable Housing (ANF) now considers the administration as its "partner" in an effort to develop a housing reform plan to transfer the control of housing to residents. Both parties are now developing this plan and expect it to be ready for presentation to the city administration by September 1998.

This partnership impacts on a large part of the population as it encourages people to take charge of their own buildings, clean them up, and thereby cut costs. However, it must overcome the deep distrust of many who have seen their incomes erode and do not believe in their government or their own ability to lobby the government for real reform. There are 28 new condominiums in Novgorod - one of which was visited by the USAID review team who noticed the visible difference between such a building and surrounding buildings owned and run by the city. This particular condominium had also received a Eurasia grant to continue to develop the building and its surrounding area. An apartment in this building would now sell for \$20,000. However, as it includes a Savings Bank branch which is also a member of the condominium, it may be atypical.

The UHAB in Novgorod operates more as a branch of a Moscow based partnership than some of the other IREX partnerships. All strategy is made in Moscow, and Novgorod trainers are sometimes doing training in other regions. All training has been free of charge with little thought given to charging a nominal fee to help cover costs.

3. Conclusions:

The activity has achieved its objectives except for the OTAC being operational. As housing is a high priority issue, if the condominiums are doing what they claim - cutting costs, improving housing services, etc. - the administration should continue to support the OTAC or utilize the trainers to expand condominiums in Novgorod. If the administration does not fund the OTAC, then OTAC could charge for training. UHAB would like to receive funding for one or two years more to make the housing reform plan a reality. However, additional funding from USAID would probably not result in significant additional impact. Competing for additional Eurasia grants would be more appropriate. This is a **Category B** activity with no additional funding recommended.

D.2. Geographic Information Systems - University of Massachusetts (UM)

1. Objectives:

This partnership is designed to replicate GIS software and training experience from Pskov region to Novgorod region. Three organizations are involved in the project: a) The Novgorod Center for Information Analytics (NIAC), a non-profit affiliate of the Committee on Economics of the Regional Administration; b) Novgorod State University; and c) the Novgorod Branch of the Russian Federation Cartographic Agency.

The objectives are to:

- C Provide training to GIS specialists from Novgorod.
- C Assess Novgorod's GIS efforts, link current databases and develop a strategic GIS plan.
- C Purchase GIS hardware and software as a step in realizing this plan.
- C Conduct two or three GIS pilot projects with Novgorod organizations.
- C Build a coalition of GIS related organizations in Novgorod to ensure future cooperation.
- C Apply GIS to the implementation of Novgorod's Sustainable Development Plan.

By the end of the grant, the partners expect to have established: a) a program that can provide GIS services and data in the Novgorod Region; b) a coalition in Novgorod that can use GIS to achieve important social and economic goals; and c) a demonstration of the use of GIS in the implementation of sustainable development plans.

2. Findings:

The grant's official start date was July 1, 1997, but delays in signing the sub-agreement pushed the effective start date to October 1, 1997. UM requested a 30 day no-cost extension beyond September 30, 1998 to compensate for the late start.

The main recipient of this grant is the oblast administration, unlike in Pskov where the GIS system was for educational institutions. Technical assistance from UM was especially helpful to identify the kind of data to put on the system, and the type of data most likely to generate revenue to sustain the system.

Of the six initial objectives, all are either completed or well on their way to completion. The final draft of the needs analysis and strategic plan for GIS development is now under review. The orders for hardware and software have been placed in conformance with the elements of the strategic plan. The pilot projects will begin in August. The coalition of organizations is working together but not as closely as they would like. The University is looking at the applications to sustainable development.

The biggest problem is that there is not enough money to do all of this well. Some efforts must take priority over others, and not all participating organizations will share equally in the benefits of the project - the University in particular. Given this situation, the relationships are rather stressful and much of the added work has been to try and find ways to help each partner get what they can from the project, while at the same time to look for more resources. The GIS equipment will be based in the Oblast administration and the selling of GIS

information will be done by a public/private firm physically located in the administration. One problem with building the coalition was the jealousy over who would house the equipment and thereby control the system.

Geographic Information Systems for regional governments are expensive, long-term undertakings with potential huge payoffs. Russian regions face many difficulties in getting short term benefits from these systems because of limited funding, thus, the short term impact is minor. Administrations need to plan carefully. This requires the experience of a partner who understands how to use this technology to generate real benefits. Novgorod is unique in that it initiated GIS with its own funds. The partnership with UM gave Novgorod the opportunity to move more quickly to the next stage in developing GIS.

Novgorod officials believe the real impact from the GIS system is more than one year off. The Novgorod city administration needs to link the GIS system to the property tax cadastre. Currently, 14 raions are on the system, representing 45% of all land area in the region. The GIS helps with property boundaries and making sure that areas such as environmentally protected zones are well demarcated when property is being discussed. The oblast had an information system before GIS, but it did not have the mapping and detail capability needed to properly manage it.

One issue impacting activity success is the need to purchase software from a Russian affiliate of a U.S. company. Because of tax issues, the grant objective may be delayed to search for cheaper equipment.

Much of the benefit from this system will come from the various branches of the regional administration being able to use the data for different purposes, thereby saving time and money by avoiding duplication. GIS is also an income generation tool. Pskov has already sold \$100,000 worth of maps and services from its GIS system.

The university needs hardware support to begin formal GIS training as they did not receive much benefit from the grant due to funding constraints.

3. Conclusions:

This is a **Category B** activity. As this partnership has given whoever controls the GIS system a good database, some assistance might be provided in marketing the information by linking it to business projects. However, the expense of providing long term support to both the university and the GIS system provider should be covered by marketing the GIS products as was done in Pskov. If the VAT exemption issue can be resolved and the needed equipment is provided, the partnership should be able to accomplish its final objective.

D.3. Novgorod Center “Doverie - Winrock International

1. Objectives:

To establish a Women’s Business Support Center for women entrepreneurs in Staraya Russia

in order to increase the income-generating potential of women's enterprises and the participation of women entrepreneurs in public decision-making. The center's specific activities are:

- C Ongoing consulting and office services including a resource library and Internet access;
- C Subsidized space for commercial activities of women-owned businesses;
- C Five small business skills seminars on micro-enterprise development, business and feasibility studies and marketing plans, financial and cash-flow statements, advertising, credit and other selected areas; and
- C Three women's leadership seminars on organizational and financial management skills, communications, public relations know-how, legal literacy, strategic planning, fund-raising tools, networking and conflict management.

Local partners are the Russian Women's NGO Consortium in partnership with the Novgorod Municipal Psychological Pedagogical Center "Doverie"

2. Findings:

The project achieved its objective of creating a Women's Business Support Center. As a result of the center's activities, a number of NGOs have been created.

In February, 1998, the Center was officially opened. 147 women applied to participate in the training programs and 80 women were selected, although only 20 attended. The participants were provided with the UN Convention on the Elimination Of All Forms Of Discrimination Against Women, as well as documents on small business development.

In March, 1998, members of both the Governor's Council of Entrepreneurs of Novgorod Oblast and the Presidium of the Association of Women Entrepreneurs of Russia visited the participants. During the meeting, the participants decided to create a Union of Women Entrepreneurs of Staraya Russia to address common business issues. The first steps were taken to draft the necessary documents for the Union.

Training and individual consultations on computers are offered weekly at the center. Women are also taught how to search the Internet for information on opening and developing businesses as well as for contacts on manufacturers of whatever equipment is necessary in the participants' chosen field. Consultations on accounting, business plans, and marketing are held regularly. Two participants who are lawyers are providing free legal consultations to other Center participants. To date, 25 women have benefited from this service. Finally, psychological testing and individual consultations for training participants are offered by psychologists of the Novgorod Center Doverie.

Many of the women interviewed stressed that the Center was the only place where they can socialize. Although this could be an advantage for NGO development, care should be taken that the Center's original purpose is not lost.

According to the Center's Director, three businesses have started as a result of the project, and others either have business plans in draft or are working on their ideas. Although many of the

business plans have not been fully developed or are clearly not feasible, it is a good start. It is hard to judge whether the newly-started businesses will be successful or not due to the short period of time they have existed.

One of the project's goal is to develop a library of materials on topics such as regional, federal, and international legislation on commerce, tax codes, forms of commercial registration and licensing, accounting standards, sources and types of credit, international foundations that support SME development, and women's rights. The Center needs to work on improving the library as there have been very few books/materials collected so far.

The oblast Administration has been monitoring the project since its inception, and has supported it with in-kind assistance. The Administration also guarantees that a part of its budget will be reserved for loans to women entrepreneurs, and promises tax exemptions for a trial period. The Administration believes the length of the project is very short considering the crisis situation in the area, and the importance to maintain the successful results of the project.

The Administration is working with the Center to develop a plan for it to sustain itself after the end of the grant. It would like to set up more businesses and unite them through an incubator that will provide consultations on accounting, legislative issues, and business development. Close contacts have been maintained with the Volkhov Incubator to exchange experience and ideas.

Another idea is the creation of a model enterprise to involve all the Center's users in hands-on training. An existing food company in Staraya Russia has agreed to participate. The company will produce salads and zwiebacks, as they believe that will be profitable. This will help women receive business experience, save enough capital to start their own businesses and enhance their knowledge by practical experience.

3. Conclusions:

The project falls under **Category A**. It has been successful and has gone beyond its objectives. Future efforts should be to encourage other resources in Novgorod and the region to provide consultations. Another possibility is to assist the Center to become a business incubator, although this will require funding and training beyond what USAID can offer. With USAID's help, the Center could develop contacts with already existing organizations such as Opportunity International and SBS-Agro. If additional funding is available, USAID could explore the possibility of a direct grant to the Center.

One observation is that the Center may have become more oriented to NGO development rather than business creation. Finally, the center should review the role of its Director. The current Director mostly manages logistics and is not active in strategic planning and development.

D.4. Novgorod Agency for SME Business Support - ACDI/VOCA

1. Objective:

To facilitate an improved business climate and access to capital in four economically depressed regions in the Novgorod Oblast, including Poddorskiye, Volotovskiy, Marevskiy and Batetskiy regions through business development competition among businesses and entrepreneurs from the region. Specific activities include:

- C establishing offices with local organizations in the four regions;
- C establishing rules, eligibility plans, and promotion for business development competition;
- C providing two specialized one-week business development and entrepreneurship training programs for eligible candidates;
- C reviewing and scoring project business plans;
- C selecting winners from each region, and working with them to make improvements in their business plans;
- C providing winners with partial funding for implementation of business plans; and
- C promoting business plans to other financial institutions.

2. Findings:

The partnership manages a competition among businesses from the 4 targeted regions, based on the development and submission of sound business concepts and business plans prepared with the assistance of ACDI/VOCA. The winner of the competition in each region will then receive partial funding from the Novgorod State Fund of Small Business Support and will be promoted to other financial institutions for additional funds as needed.

The partnership has experienced significant delays in its implementation, primarily due to poor communication between the Moscow and Novgorod partners and the difficulty in finding a consultant to conduct the business plan training sessions in the regions. The deadline for submitting business plans was postponed until August 19 due to summer vacations of many potential candidates.

The seminars were advertised through the Administration, newspapers, and telephone. The most active regions have been Marevskiy and Volotovskiy. Most of the respondents are representatives of on-going businesses who became interested in expanding or adding a new element to their businesses.

The Administration views the project favorably, facilitated in part by the close connections between the local partners and the administration. The administration has also contributed in-kind by helping to find space for the seminars.

The training sessions seemed to indicate that the local administration needed “proof” of the value and seriousness of the activity. Training was held on three consecutive days. There was a net increase of participants between day one and two. Although local administrators had introduced the training, it was not until they had reports of its value that they chose to attend and later disseminate business planning information.

One of the most effective elements of seminars was explaining the various sources of credit

and leasing. This information was new to many of the entrepreneurs, and gave them a choice to decide what programs were most appropriate for their businesses. The original plan to collaborate with SBS-Agro was changed because of the high interest rates and a change of management.

Follow-up consultations on specific questions regarding business plans were very helpful. Most assistance was needed in the actual writing of business plans. The Novgorod partners appreciated the assistance of ACDI/VOCA (but questioned whether some of the work could have been done just as well by themselves.) The entrepreneurs were especially interested to hear an American expert talk about business. The Agency and ACDI/VOCA are planning a joint non-profit project to publish a directory "How to Make Business in Novgorod" with general information on business-related issues.

ACDI/VOCA summarizes the project as having sown the seeds of hope in an area where economic development is probably still three to four years behind the rest of Novgorod. There is a definite need for the technical assistance provided, but that it is too early to assess its impact. The Novgorod partners need to continue to assist the small businesses before any real results will become obvious. The accomplishments of the project at this stage can be seen in the quality of the plans submitted for the competition, with a more realistic assessment of impact evident only 6-12 months after the award of financing to the competition winners.

Participants have been introduced to other financing sources such as SEAF, TUSRIF, banks in general, and Prospektiva, as well as the services provided by the Novgorod partner. The use of a Russian as a lead trainer was critical in exposing participants to existing local resources.

3. Conclusions:

It is too early to judge activity results because of the delays in implementation. Due to the generally lower level of economic opportunities in the regions, much more work would have to be done before any significant impact would become evident. The best measure of success would be the number and quality of business plans received for the competition and the actual business projects implemented. Additional support beyond current levels is not advised until these results are seen. This activity should be ranked as **Category C** unless the results of the competition prove otherwise.

D.5. Novgorod Chamber of Commerce - Center for International Private Enterprise (CIPE)

1. Objectives:

To develop the organizational and management skills of the Novgorod Chamber of Commerce & Industry (NCCI) in order to increase Chamber membership, better represent the interests of local businesses to the government administration, and to qualify for registration with the Russian Chamber of Commerce and Industry. This objective is to be achieved through the following sub-activities where CIPE plays a consultative role:

- C Purchase and installation of needed computer and publishing equipment.
- C Establishment of a local area computer network and connection to Internet.
- C Analysis of the role of the NCCI as a business center.
- C Consultations with local government, media and business leaders.
- C Organizing a management seminar for NCCI employees.
- C Developing and implementing a business plan.
- C Publishing promotional material on NCCI activities.
- C Developing materials for accreditation with the Russian CC.

2. Findings:

Assistance from CIPE through IREX is the second time since NCCI's founding in 1994 that it has received support from an outside source. The first was a grant with the Russian Chamber of Commerce (RCC) - also through IREX - which was awarded in competition with 100 other Russian Chambers of Commerce (CC). The purpose of the RCC grant was to design and publish a business atlas of the Novgorod Region.

Under the partnership with NCCI, CIPE has conducted two seminars for 11 NCCI staff members on general issues of CC management. US and Russian experts led both seminars. An NCCI business plan was designed, which was used as a framework for other Russian Chambers of Commerce to design their own "Development Plan". NCCI received Internet access and trained three staff members to work on the Internet. Finally, extensive equipment and materials were purchased and installed including a computer network, and training and seminar equipment. Staff training for four NCCI professionals was conducted on all computer systems, and all work was transferred to electronic form.

With this new equipment, NCCI is able to publish 500-800 brochures per month at a cost which is 80 percent less than previously (\$50 versus \$300). NCCI also provides its members with photo-copying services using new equipment funded under its partnership with CIPE. The computer equipment and new approaches have enabled NCCI to increase its production of reports from 8 reports per day to 20. Income from these reports has increased from \$400 to about \$1,000 per day. NCCI has reduced the time needed for creating quarterly and annual accounting by 10 days.

Before the partnership, NCCI had 72 members - now they have 84 members. NCCI plans to raise this number to 100 by the end of the grant. In order to reach this target, NCCI constantly works with possible new clients in accordance with rules which they learned from the seminars. The target of 100 members is significant because this will allow NCCI to become a member of the RCC.

The quantity of services and client requests have significantly increased, and processing time for photo copying services, for example, has been reduced from 1 week to 1 hour. The high technical level of NCCI staff has allowed them to propose to the Regional Administration to provide a database of information on enterprises in the Novgorod region. Thanks to Internet access, NCCI provides its members a listing on the RCC page. Increasing the NCCI technical and staff levels has significantly increased the reputation of NCCI in Novgorod.

As with most NGOs, NCCI has cash-flow problems and is highly dependent on access to liquidity to pay its bills. When invoices are not paid in time, as is the case with money transfers from IREX through CIPE which can take 1-2 months, NCCI must cover payments with its own resources. At least once when this happened and NCCI was unable to pay its taxes, it received a penalty warning from the Tax Inspection.

3. Conclusion:

Most of the sub-objectives have been met. The partnership with CIPE significantly increased the number and quality of NCCI's services, and its ability to attract new members and professional staff. The main indicator of success will be whether the NCCI can sign-up 100 members and join the RCC by the end of 1998. This is a **Category B** activity. NCCI met its objectives, and will do well even if it does not reach 100 members.

D.6. Family Medicine Clinic - University of Iowa (UI) and St. Petersburg Medical Academy of Postgraduate Studies (MAPS)

1. Objectives:

To create a cost-effective model of medical care in Novgorod (Family Practice Center), including:

- C Creation of a family medicine clinic in Novgorod based on a similar center developed in St. Petersburg;
- C Development of training materials for Novgorod staff and the family practice office.
- C Carrying out a telemedicine project which will allow for a continuous sharing of information and collaboration in research and diagnostic efforts between UI, MAPS and the Novgorod partners - Medical Faculty of the Novgorod Medical Institute (NMI) and Novgorod Regional Medical Administration (NRMA).
- C Further dissemination of family practice medicine in Russia.

Under this activity, Novgorod trainees will receive instruction in different aspects of market economics so as to organize a cost effective family practice office.

2. Findings:

Although a similar project in St. Petersburg was very successful, the Novgorod activity has had a number of problems achieving its objectives. In Novgorod, four doctors and four nurses were trained. However, they failed to establish good relations with the Regional administration (medical section) and did not find an appropriate site for the Medical Center. One doctor and one nurse decided not to wait, and found work at another center. A second doctor is no longer available for the Center. The remaining two doctors and three nurses are enough to start the center.

The main implementation, confirmed by UI staff, was in finding a location for the Medical

Center. These difficulties were the same as those UI experienced in setting up the St. Petersburg clinic. Once the clinic is operational, UI believes the local administration would realize that there was no competition and that the patients were receiving quality care.

This could be the first such Center in Novgorod. There is a definite demand for its services. Many residents in Novgorod have "Family Medicine" medical insurance, but due to the absence of such clinics in the city, they visit ordinary polyclinics. There is an active and resourceful staff who have been advocating for the Center. At the same time, strained relations with the Administration has been a problem. The management skills of the Center staff will determine if the activity succeeds or fails.

The fact that almost half of the trained personnel are not available for the Center creates additional difficulties for the project completion. Recently, it was confirmed that a site for the Center was found, and that its application as a medical center passed through the process of state registration. The next problem which might arise in the nearest future might be that of licensing the Medical Center. Such licences are provided by the regional administration which is not supportive of the Center.

3. Conclusions:

Although the existence of a successful similar clinic in St. Petersburg, also created by UI, indicates that this partnership could be successful, it seems rather doubtful that, after so many delays in Novgorod, a fully operational Medical Center can be established before the end of the grant. The Center is not likely to be sustainable unless it can generate income through user fees or other sources. **Category C.**

D.7. World Institute for the Disabled (WID) - Perspektiva

1. Objectives:

The main objectives of this partnership are to promote the acceptance of disabled people in the community, and to facilitate the creation of a more accessible environment i.e. accessible public transportation and buildings. Other objectives are to:

- C involve members of the community in making changes to integrate disabled people into the community;
- C educate the business community about the potential of disabled people in contributing to the development of a strong economic base;
- C promote the involvement of the disabled community into business development programs and encourage investors to consider a partnership with the All Russia Society for the Disabled (ASRD) or other disability-owned businesses;
- C lobby local administrations to pass and enforce legislation supporting the disabled community;
- C involve the business community in creating an accessible environment, including providing ramps, lifts and transportation;

- C develop a cadre of committed individuals, skilled in implementing a public awareness campaign and produce a manual on “how to carry out a disability awareness campaign”; and
- C empower disabled people by providing the skills and experience to become active citizens in their community.

2. Findings:

Despite some initial problems, this is one of IREX’s most successful activities. It began with a strong Russian organization already in existence but not making good use of the media. Tangible results of success are evident in the completed wheelchair ramps at the Novgorod Kremlin and the Central Poly Clinic, as well as the commitment of local authorities to construct additional ramps within the next two years. In addition, community entrepreneurs have used their own money to build a ramp at a local cafe.

Training activities have reached 193 participants from the disabled community, and the project has held several awareness and fund raising activities, the biggest of which was a well publicized “parade” in Novgorod in May. There will be a public hearing in the City Duma in October to discuss the implementation of the Law on the Social Protection of Disabled People in the Russian Federation, and specifically the articles regarding accessibility. Various members of the disabled community will have the chance to “speak out”. There is an impressive public awareness campaign. TV, radio, and the press have all been utilized including national and Moscow based papers.

Six of the city’s 34 schools have conducted special training for school children on understanding people with disabilities. Perspektiva would like to expand this work to other cities and rural schools. They appear to have the Committee of Education’s full support. One clear measure of effectiveness is Alpha Graphics’ donation of \$4000 to build ramps and to produce a booklet. Perspektiva has also approached Stimorol for a grant as well. Given the ability to attract funds from the private sector it was disappointing to find no one interested in creating an annual report that would include discussion of effective use of such funds as the Alpha Graphics grant. Such a report can lead to much more private sector funding as well as marketing this NGO in general.

Future work includes lobbying for legislation that would require SMEs to provide access to their businesses, although it is not clear how local businesses would react to such an idea. The idea for a newsletter is good, but the next step of developing advertising to sustain the newsletter does not seem to be in the works.

The Project Director of Perspektiva in Moscow believes that three distinct groups have benefitted from this project: the disabled community at large; the disabled youth involved in the project; and the Novgorod partner organization. The local administration and general public have also benefitted from the exposure created by the project. The Project Director stated that “the Novgorod project essentially has created a model for making community change and empowering disabled youth. It is now being replicated in a modified form in three more regions: Perm, Krasnodar and Komi.”

All objectives have been addressed to various degrees, except to promote the involvement of the disabled community into business development programs and encouraging investors to consider a partnership with the ARSD and other businesses owned by disabled persons. As the project partners decided to focus on “creating a wheelchair accessible or barrier free environment”, there was no time to address this issue properly. Some research was carried out at the beginning of the project regarding business development projects - Opportunity international’s program for women entrepreneurs was identified - and information was made available to the local partner to disseminate.

3. Conclusions:

This is **Category A**. It engages a public dialog. It achieves concrete, visible objectives. It creates a positive image of USAID at the local level. It has clear additional work that can be funded at very low cost, such as reaching out to other raions in Novgorod oblast. It is sustainable as the Russians will be interested in improving access in Novgorod region for some time to come.

E. U.S. Based Training - Academy for Educational Development (AED)

1. Objectives:

Accelerated development and growth of private enterprises through participant training. The participants will apply the skills acquired in the program to their jobs upon their return to Russia.

2. Findings:

Six participants from Novgorod received training on Small and Medium Enterprise Infrastructure Development conducted by the Foundation for Enterprise Development in San Diego during the period October 4 –25, 1997. The training consisted of business culture and society; an overview of U.S. small business support systems; the government’s role in developing tax structures and incentives for small businesses; the role of business associations; case studies of corporate small business development programs; and facilitating entrepreneurship. The training also helped participants prepare action plans, and to develop training programs on entrepreneurial training and defense conversion. Finally, there were site visits to business incubators.

The Foundation for Enterprise Development conducted follow-on training in Russia on SME Infrastructure Development for Russian local government officials during the period February 14 – 21, 1998.

Two of the six Novgorod officials who received training were interviewed:

Mr. Vladislav A. Alexeev, Chief of the Department of Enterprise Development and Support of the Novgorod Region, indicated that the training complemented his theoretical knowledge of business development by showing how to apply the concepts in practice. Mr. Alexeev

worked with the training organizers to develop a regional business development model for the Novgorod region. The work is still in process with plans to finish by the end of September 1998. Once completed, Mr. Alexeev will present it to the U.S. partners for their comments.

Mr. Alexander Krupkin, Deputy Head of Administration of Borovichi, said that the training was very useful. He noted that, of the plans that were developed during the training, 90 percent have been implemented. Although the program on Small Business Development in Novgorod is being developed, the administration in Borovichi has been trying to make several changes. The Enterprise Department of the Administration was changed to a the Department on Economics and Small Business, and a specialist on small business development was hired. A series of seminars has been conducted for organizations serving small businesses, such as the tax inspection. In Mr. Krupkin's thinks small businesses in the area need more reliable financing resources. Therefore, a provision was created in the State Guarantee Fund that will provide credits for approved business plans in Borovichi.

Their overall impression of the results of the training is that a great deal of activity is taking place to promote and establish small and medium enterprises. The local government acknowledges its lack of business management experience, and appreciates the role that it can play in promoting a business-friendly climate. They are receptive to new ideas and willing to implement strategies likely to benefit the economy. The local government recognizes that there is a long way to go before achieving a western level of economic development. Nevertheless, there is a strong commitment and desire to build a climate conducive to the development of small and medium businesses.

Other Novgorod officials that received training included: the Head of Industrial Policy Management of Novgorod; Head of the Department of Economics and Trade of Parfinsky raion; Head of the Department of Economics of Staraya Russia; and the President of the Foundation for Small Business Support.

3. Conclusions:

The objectives of this activity have been achieved and the impact is obvious. However, additional funding is not necessary, as the U.S. and Novgorod partners have already established working relationships which can continue on their own. **Category B.**

F. City Partnerships - International City/County Manager's Association (ICMA)

1. Objectives:

The overall goal of the grant is to improve public finance and thereby attract more foreign investment to Novgorod. More specific objectives were to:

- C improve the effectiveness and efficiency of local government budgeting practices including using the budget as a policy making tool;
- C improve public finance towards the goal of issuing public bonds; and
- C expand public support for city administration initiatives by working within the city

administration and cooperating with other USAID projects in the NGO sector.

2. Findings:

In May, 1997, Novgorod city officials identified several areas in which they felt exchanges of technical information could advance their objective of increased investment in the greater Novgorod region based on stronger government administrative practices. These areas were communicated to ICMA during its assessment of the region. Before then, city officials including some of those associated with the ICMA contract had participated in Research Triangle Institute's Municipal Management training programs which provided literature on best practices of municipal finance in the West, and how implementing such practices could improve private investment.

Overall, the objective of more foreign investment in Novgorod as a result of ICMA's work has not taken place. Arguably it is too early to evaluate the impact of improved public finance on investment. Novgorod officials did meet with business leaders and entrepreneurs in Hartford. (A trade mission is planned but will occur after this review is complete.) To date, letters have been exchanged and no actual investment had come out of the meetings in the U.S..

Several external factors inhibit the overall objective of the grant from being met. First, both financial and legal freedom to make changes is severely limited at the municipal level in Russia despite general articles in the Law on Local Self-government. Second, the deficit in the city budget plus the low wages for public officials makes radical change hard to do. Third, the very financial character of the Russian city is different from the United States. Russian cities are wealthier than their surrounding areas - opposite from U.S. cities with their relatively wealthier suburbs. If the city is the capital city of a region, it also serves as a donor to many outlying raions which makes regional officials even more reluctant to give them true fiscal freedom.

A municipal diagnostic is a deliverable which is to drive other work on the grant. This diagnostic commented in detail on the city budget and noted that much of the city budget is really controlled by higher levels of government that share revenues down to the city. These points became apparent when talking with Novgorod officials who, while deeply impressed by the U.S. experience, do not seem to be in a position to implement many of the changes discussed in the municipal diagnostic. The grantee did not appear to give any intermediate steps to get on the road to U.S. practice.

ICMA is not sure how this partnership will fare beyond the life of the grant, but is counting on these private sector initiatives to support a clear, long term partnership by October, 1998. Novgorod city officials believe investments should be focussed in certain sectors of the economy, but they are vetoed by oblast officials who want to approve any and all investment projects that are proposed.

Novgorod has adopted a city charter that was influenced by ICMA's work. Although city officials tried to keep the charter as short as possible to model a U.S. city charter, a Russian city charter must adhere to oblast and federal legislation which can expand its length and limit

what a city is authorized to do. Novgorod's charter apparently goes as far as it can within this constraint. In order to preserve the charter, the Novgorod City Duma must adopt resolutions instead of making amendments to the charter.

Citizen participation in the budgeting process is mentioned in the charter, and seems to have improved over the life of the grant. A strategic plan that could lead to multi-year budgeting is being developed with the grant providing some impetus to do such a plan. How the city spends funds on education was also apparently influenced by the Hartford city experience, but it is not clear what exactly has been done in this area.

A third exchange of city accountants is currently in process. This exchange appears to be a one-way transfer of technical knowledge to the Russian side. ICMA, however, does not seem to be transferring the idea that many American cities have overspent in the area of software and hardware acquisition for budgeting. Given the financial and personnel constraints in Russia, the activity should be emphasizing low cost, widely used software solutions that will allow the city Finance Department to easily adjust to personnel changes. Such solutions would emphasize the analytical capability of a PC rather than its serving to simply exchange paper records for diskettes. In this important area, the activity is not doing well in promoting best practice.

In discussions following fieldwork, it was noted that other results, some of which go beyond the grant objectives, were being achieved through the Novgorod-Hartford partnership. The partnership created a transparent budget system in the city of Novgorod which includes publishing the Novgorod city budget in the local press and developing a calendar of the city's budget process for public dissemination and citizen involvement. Novgorod schools initiated a "model city" program in which each school will carry out a mock city management exercise. One school in Novgorod has already begun the "model city" program working with the local branch of Junior Achievement. As a result of the partnership, the city is creating local school districts which promote community pride and self governance.

3. Conclusions:

Much time has been spent explaining public finance principles to city officials with some objectives achieved. Additional large expenditures on software/hardware would not improve public finances in the city, although at least one Novgorod official viewed this as "the final step". External factors mentioned above make additional expenditure at the city level on budgeting hard to justify given the sense of powerlessness (real and perceived) that exists. A wealth of literature and even software in Russian is available at USAID/Moscow for city officials interested in furthering their knowledge of U.S. practices. Further results in the area of municipal finance and budgeting could more likely be achieved at the oblast level. One possible mechanism could be an oblast-state partnership.

If the property tax project (which was explicitly taken out of the work in this grant) dramatically improves the city's own revenues, the private sector initiative started by ICMA bears fruit, and a long term partnership plan can be seen, then this could be a Category B activity - particularly if there could be effective utilization of the new revenues by the city administration. Given the problems above, this is a **Category C** activity.

G. Community Involvement Grants - The Eurasia Foundation

1. Objectives:

At the end of the Cooperative Agreement, the following results are expected:

- a) Individual NGOs within Novgorod having a greater ability to:
 - ⌚ provide needed social services in the community; and
 - ⌚ provide training to the business community and advocate on their behalf to the local government.
- b) The NGO sector in Novgorod will be strengthened as a result of:
 - ⌚ links with the larger NGO community in Russia;
 - ⌚ advancing the professional development of their members; and
 - ⌚ engaging the media to participate in public education campaigns devoted to the NGO sector and business development activities.
- c) An NGO Resource Center providing, either directly or in conjunction with other organizations,:
 - ⌚ consultancy on a range of issues including taxation, registration, NGO formation and management, legal services, coalition-building, advocacy, etc.;
 - ⌚ a public access library;
 - ⌚ assistance in linking Novgorod NGOs with other NGOs in Russia; and
 - ⌚ a key role in representing NGO issues in dialogue with the Novgorod administration.

2. Findings:

The Community Involvement Grants (CIG) and NGO Support Center are designed to address several constraints facing the NGO community in Novgorod. First, the Novgorod administration acknowledges that it cannot successfully pursue progressive regional development without the understanding, support, and participation of its citizens. Moreover, the administration seeks to tap the ideas and knowledge of its citizens in the development of policies and programs. Although the Novgorod administration is supportive of NGOs, officials managing relations with NGOs have limited understanding or experience in dealing with the NGO sector.

Eurasia Foundation conducted a media campaign in the region to inform citizens about opportunities to participate in seminars, and possibly find support in targeted areas. Seminars were conducted on “Organizational Development” and “How to Write a Grant Proposal”. Approximately 200 people representing various NGO groups attended, and 300 requests for proposals (RFP) were distributed throughout the region.

In response to the RFPs, 70 proposals were submitted, covering six categories:

- C Social services and community development.
- C Professional associations and support for advocacy groups.
- C Local (outside of Novgorod city) small business support structures.
- C Support for an NGO Resource Center in Novgorod.
- C Media programs devoted to NGO sector and business development activities and issues.
- C Technical assistance to the NGO Resource Center and other NGOs in Novgorod oblast by experienced Russian NGOs located outside of the Novgorod Oblast.

Eurasia initially awarded 28 sub-grants. A follow-up competition was held, and an additional 11 grants were awarded for a total of 39 grants in all. After the final award decisions were announced, Eurasia staff traveled to Novgorod to conduct the Grants Management Seminar which covered the requirements of grant management and reporting.

Eight randomly chosen NGOs, out of the 39 grants awarded to date, were interviewed. In general, the interviews revealed that the provision of social services in Novgorod by NGOs has become more active, and a wider range of services are offered. Projects such as the shelter and hot-line for domestic violence victims, called "Sisters", has received great interest by the community. In the period April - July 1998, "Sisters" received 139 phone calls and the crisis center trained 20 volunteers. Ten radio programs, and two TV programs were broadcast on domestic violence issues, followed by questions and answers.

The Novgorod Oblast Association of Small Business Support, an NGO that specializes in business consulting, conducted training on how to set up small business in four raions, and created a database of existing businesses. More than 20 participants from each region attended. At the seminars, the Association introduced its services. To date, about 15 people who attended the seminars have requested consultations. Other projects such as the creation of a management consulting network for Novgorod oblast and business training for unemployed women serve the needs of the business community in Novgorod and the region.

The NGO Resource Center, set up by a Eurasia Foundation grant, is now playing a key role in the NGO community. During the period April - July 1998, the center organized 10 seminars for NGOs on issues such as strategic planning, fund-raising, taxation and accounting, and coalition-building attended by over 160 participants. The center also organized a Club of NGO Leaders of Novgorod which meets regularly to discuss various NGO development issues. The Club developed a legislative bill "On State Social Request" regulating the participation of NGOs in open competitions for funding. The bill will be introduced to the administration. In addition, the center has been publishing a brochure on NGOs activities in Novgorod Oblast.

NGO activities have been actively publicized weekly by the Slavia, NGO TV center, plus occasionally in two other programs. The program on NGO issues has become so popular that it will be continued by the center after the Eurasia grant ends. The NGO "Triada" received a grant in the second round of the competition and has already started producing a series of NGO-related programs. As mentioned above there have been radio programs, and articles about NGOs in local newspapers.

The Administration has been very supportive and helpful of NGO development. In many cases NGOs were provided with free office space by the Administration.

According to the NGO Resource Center, the Regional Investment Initiative brought about a growth in NGO development in Novgorod. However, the major problems remain sustainability and funding issues. The Eurasia Foundation and NGO Resource Center forecast that only 30-50 percent of NGOs will be able to sustain themselves.

Of the eight Eurasia Foundation grantees interviewed, the most effective are:

- NGO Resource Center
- Crisis Center "Sisters"
- Society of Consumers
- Slavia, NGO TV center
- Novgorod Oblast Department of Association for Small Business Support.

3. Conclusions:

This activity falls under **Category A** as it has been achieving all its objectives successfully with a strong impact on NGO development in Novgorod. If additional funding is available, the already existing and most successful NGOs could be assisted to better sustain and deepen the results of their activities.

V. OVERALL CONCLUSIONS AND RECOMMENDATIONS:

The task of this review was to look at progress to date of selected activities. As the Novgorod RII has been underway for slightly more than one year, it is too soon to assess impact. Also, as the review looked at the progress of only 13 activities, the results do not reflect the RII as a whole. A more thorough impact evaluation is needed in nine to twelve months. Hopefully, the current review will help to identify issues for further analysis, and to show where continued assistance could sustain results for further contribution to RII objectives.

The summary groupings of the 13 activities are as follows:

Category A: Activities making the most progress in achieving their objectives. Strong potential for short-term contribution to overall RII objectives. First priority for continued USAID assistance.

Community Involvement Grants (via direct support to successful Russian NGOs)
Novgorod Center "Doverie"
World Institute for the Disabled

Category B: Activities which are achieving, or are well on their way to achieving their objectives. Includes activities where other organizations are able to continue the work started. Impact on RII objectives is uncertain or will take more than one year. Continued USAID assistance is generally not necessary, but may be justified on a case-by-case basis.

Center for International Private Enterprise
Enterprise and Economic Development Program (EED)
Land and Real Estate Reform
University of Massachusetts -GIS
Urban Homesteading Assistance Board
U.S. Based Training (AED)

Category C: Activities experiencing difficulties or where results are not likely to have a significant impact on overall RII objectives. Includes activities which are not likely to be sustainable after USAID funding ends. USAID support beyond their completion date is not recommended.

City Partnerships
Family Medicine Clinic
Novgorod Agency for SME Support
SME Equity Finance

The majority of activities are making good progress and will leave a counterpart organization(s) in place to continue the work started. All RII objectives are being addressed to a lesser or greater extent. At least nine of the activities are contributing, or have the potential to contribute, to the RII objective ***increased trade and investment***. Some activities, such as the Novgorod Center “Doverie”, Land and Real Estate Reform, and the Enterprise and Economic Development Program (EED) are contributing to this objective, plus at least one more - ***increased community involvement, economic transition at the local level, and U.S.-Russian economic and community-based linkages*** respectively. The RII objective with the greatest chance of short-term achievement is ***increased community involvement***.

Common elements of success among the three Category A activities are: 1) working with Russian NGO clients/partners which already exist or have a strong local organization in place; 2) making effective use of Russian trainers to expose participants to existing resources; and 3) working with NGOs having a close connection with local administrations. To a some extent, these elements also contribute to success in working with SMEs. However, results in working with SMEs will take more time.

Four general problems constrain all activities from achieving their objectives.

First, some activities have less than full support from their local government counterparts due to the counterparts not being convinced of the value of the activities. Examples are Land and Real Estate Reform, and the initial stages of the Novgorod Agency for SME Support. Some local government officials and institutions have a fear that the RII activities will compete with similar government programs, such as the Urban Homesteading Assistance Board and the Family Medical Clinic. And finally, many of the activities, particularly the GIS activity of the University of Massachusetts, need more time for their value to be realized before local governments will give their full financial and institutional backing.

Second, lack of enabling federal or regional legislation reduces the potential impact of some

activities, such as the Land and Real Estate Reform activity of the Urban Institute. In other activities, local governments do not have the financial or legal freedom to make changes for U.S. practices to work under local conditions - note the City Partnership's introduction of public finance models.

Third, activities working with SMEs, such as the Enterprise and Economic Development Program and the SME Equity Finance activity, have experienced difficulty in finding viable enterprises to work with. Another problem is helping SMEs to implement business plans and to obtain bank financing. In general, however, much more time is needed to work with SMEs for the USAID activities to have an impact on increasing trade and investment.

Fourth, sustainability of NGOs is a major constraint. Many NGOs are not aware of how to market themselves, and to use strategies such as annual reports to encourage private businesses to provide support. The Center for International Private Enterprise, and Novgorod Center "Doverie" are examples. Lastly, many governmental organizations and individuals with responsibility to support NGOs have limited knowledge and understanding in dealing with this sector, as experienced by the Eurasia Foundation's Community Involvement Grants program.

One general conclusion appears to be that activities whose immediate counterpart is an NGO fare better than activities whose immediate counterpart is either an SME or local government.

Keeping in mind that NGOs, SMEs and local governments are three overlapping groups that are closely linked in any Russian region, this study suggests that working through NGOs offers the best way to create more rapid, visible change. This is not to suggest that SMEs and local governments should be ignored, but that work where they are the immediate counterpart may not impact as quickly. This is said with the caveat that a concentration of effort on the NGO sector must have enough resources to engage a wide variety of NGOs to create a noticeable impact or synergy on the NGO sector overall in a given location (e.g. Novgorod). Great attention should be paid to linking the NGO sector to the business sector with sustainability in mind.